LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
http://www.in.gov/legislative

FISCAL IMPACT STATEMENT

LS 6691 | **NOTE PREPARED:** Feb 18, 2015
BILL NUMBER: HB 1388 | **BILL AMENDED:** Feb 17, 2015

SUBJECT: Property tax matters.

FIRST AUTHOR: Rep. Leonard | **BILL STATUS:** CR Adopted - 1st House
FIRST SPONSOR:

FUNDS AFFECTED: X **GENERAL** | **IMPACT:** State & Local
DEDICATED
FEDERAL

Summary of Legislation: (Amended) *Amended Personal Property Tax Return*: This bill specifies that if a taxpayer files an amended personal property tax return for a year: (1) before July 16 of that year, the taxpayer shall pay the taxes payable in the immediately succeeding year based on the assessed value reported on the amended return; or (2) after July 15 of that year, the taxpayer shall pay the taxes payable in the immediately succeeding year based on the assessed value reported on the original personal property tax return.

Utilities: The bill requires a public utility company to file its property tax return with the Department of Local Government Finance (DLGF) on or before April 1 (rather than March 1, under current law).

It also provides that on or before July 1 of each year, for years ending before January 1, 2017, and on or before June 15, for years beginning after December 31, 2016, (rather than June 1 under current law), the DLGF shall certify to the county assessor and the county auditor of each county the distributable property assessed values that the DLGF determines are distributable to the taxing districts of the county.

Standard Deduction: The bill deletes a provision in current law requiring a county auditor to cancel a standard deduction for a homestead under certain circumstances in which: (1) the taxpayer acquires an interest in or contracts to purchase a second homestead after the assessment date; and (2) on the assessment date, the property on which that second homestead is located was vacant land or the construction of the dwelling that constitutes the second homestead was not completed.

DLGF Rules: This bill removes requirements for the DLGF to adopt rules for the administration of certain property tax deductions and exemptions. The bill voids certain DLGF rules.

Common Area Exemption: The bill provides that a common area is exempt from property taxation. It defines "common area" as a parcel of land in a residential development that: (1) is legally reserved for the exclusive use and enjoyment of all lot owners; (2) is owned by the developer, or each lot owner, or a person or entity that holds title to the land for the benefit of the lot owners; and (3) cannot be transferred for value to another party without the approval of the lot owners.

The bill provides that an owner who is the prevailing party in an action challenging a determination not to assess the property as a common area may recover reasonable attorney's fees from the opposing party.

Property Tax Exemption: This bill provides that certain tangible property is exempt from property taxation if the tangible property is owned by an agricultural organization that is exempt from federal income taxation under Section 501(c)(5) of the Internal Revenue Code. It provides that the exemption is retroactive to the 2011 assessment date. The bill provides that eligible taxpayers may submit exemption applications before September 1, 2015, for property tax exemptions for eligible properties with respect to the 2011 through 2015 assessment dates.

The bill provides that an eligible taxpayer is entitled to a property tax exemption if the county assessor finds that the parcel would have qualified for an exemption if the retroactive exemption had been in place on the covered assessment dates. The bill provides that an eligible taxpayer is entitled to a refund for any back taxes, penalties, and interest paid with respect to the eligible property and it provides that refunds may be paid in two annual installments.

Homeowners Associations: This bill specifies that the statute governing homeowners associations established after June 30, 2009, applies only to homeowners associations authorized to impose mandatory dues on their members.

Effective Date: (Amended) Upon Passage; January 1, 2011 (Retroactive); July 1, 2015.

Explanation of State Expenditures: *Utilities*: This provision will have no fiscal impact.

(Revised) *DLGF Rules*: This provision will result in reduced administrative burden for the DLGF. The bill eliminates the requirement for the DLGF to promulgate rules regarding the following:

Disabled homeowner deduction;
Homestead standard deduction;
Investment deduction;
Model residence deduction; and
Residence in inventory deduction.

Additionally, the bill voids the current rules regarding the Investment deduction, the Model residence deduction; and the Residence in inventory deduction.

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) *Common Area Exemption*: Under this bill, local assessors that determine that certain areas are not common areas could have additional expenditures if the owner prevails in an appeal of the decision. If the owner prevails, the local assessor will be responsible for the owner's reasonable legal fees incurred in the appeal.

Explanation of Local Revenues: *Amended Personal Property Tax Return*: This provision should have minimal impact on local revenues. Under current law, initial property tax payments are based on the amended AV for an amended return if it is filed by July 15 of the assessment year. Beginning with taxes payable in 2017, also under current law, initial property tax payments will be based on the amended AV for an amended return if it is filed by April 4 of the assessment year. Under this bill, to initially pay taxes on the amended AV, the amended return filing deadline is July 16 for all years. In all cases, if the taxpayer files the amended return too late to qualify for initial payment on the amended AV, the taxpayer is entitled to a credit against the tax liability in future years.

Standard Deduction: This provision could result in multiple standard deductions for one year for some homeowners who are in transition. The standard deduction (and supplemental standard deduction) substantially reduce the net assessed value of homesteads. The additional deductions will cause a property tax shift from the homes receiving the deductions to all other properties. In addition, the taxes on properties that have the standard deduction are capped at 1%. (Nonhomestead residential property taxes are capped at 2%.) So it could increase or decrease revenue loss due to the circuit breaker caps depending on circumstances in some areas.

(Revised) *Common Area Exemption*: Beginning with taxes payable in CY 2016, this provision will result in a substantial, but indeterminate, revenue loss for civil taxing units and school corporations. This provision exempts residential common area parcels from property taxation. The exemption will cause a shift of property taxes from the common area property to all other taxpayers. Circuit breaker losses would rise in areas where the circuit breaker tax caps vave been triggered. Data regarding parcels used as common areas are not readily available.

(Revised) *Property Tax Exemption*: Property tax revenues will be reduced for affected taxing units in CY 2015 because of tax refunds or cancellations under this bill.

One taxpayer in Vigo County has been identified that will be exempt under this bill. The taxpayer was billed $46,284 for taxes payable in 2014. County records also indicate $7,049 in prior delinquencies and $352 in prior penalties. These amounts, as well as any tax billing in 2015 and 2016 will be cancelled. If the taxpayer has paid any of these amounts, they may file for a refund. Property tax refunds reduce current year tax distributions to civil taxing units and school corporations. The exemption will shift these amounts to other taxpayers in future years.

Homeowners Associations: This provision has no fiscal impact for local government.

State Agencies Affected: Department of Local Government Finance.

Local Agencies Affected: Local assessors; County auditors; Local taxing units and school corporations; Vigo County Auditor; Vigo County; Fayette Township; Vigo County School Corporation; Vigo County Public Library; and Terre Haute International Airport.

Information Sources: Mike Duffy, Department of Local Government Finance; Vigo County Auditor data.

Fiscal Analyst: Bob Sigalow, 317-232-9859.